

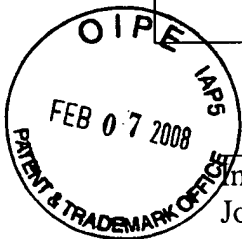
I hereby certify that this correspondence is being deposited with the U.S. Postal Service as Express Mail, Airbill No. EV 582592297 US, in an envelope addressed to: MS Amendment, Commissioner for Patents, P.O. Box 1450, Alexandria, VA 22313-1450, on the date shown below.

Dated: February 7, 2008

Signature: _____

(Sarah J. Jeromin)

Docket No.: 549222000101
(PATENT)



IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re Patent Application of:
John O. RYAN

Application No.: 08/977,846

Confirmation No.: 3572

Filed: November 25, 1997

Art Unit: 3628

For: METHOD AND SYSTEM FOR
INFORMATION DISSEMINATION WITH
USER MENU INTERFACE (AS AMENDED)

Examiner: I. Borissov

FIRST DECLARATION OF DONALD F. BOGUE UNDER RULE 132

I, Donald F. Bogue, declare as follows:

1. I make each of the statements in this declaration based on my personal knowledge, except where I indicate that the statement is based on information and belief. I would, if necessary, testify to the truth of each of those statements.

2. I am President and Chief Executive Office of Command Audio Corporation ("Command Audio"), the assignee of above cited U.S. Patent Application No. 08/997,846 (the "Ryan Application".)

3. In addition to the Ryan Application, Command Audio is the assignee of U.S. Patent Nos. 5,406,626, 5,590,195, 5,751,806, 6,330,334 and 5,524,051, (together the "Ryan Patents") all of which have the same inventor (John O. Ryan) and describe similar subject matter. (Indeed, U.S. Patent Nos. 5,590,195, 5,751,806, and 6,330,334 all share the same disclosure as the Ryan Application and are all continuations-in-part of U.S. Application No. 08/031,763 filed on March 15, 1993.)

4. Command Audio was founded in 1995 to commercialize on-demand media. From 1995 to 2000, Command Audio pioneered the development of on-demand interactive audio. During that period, Command Audio developed its audio-on-demand device based on John Ryan's invention and laid the foundation for its service to provide broadcasted

audio information for those devices. In 1999, as part of that development process, Motorola, Inc. ("Motorola") invested in Command Audio and took a license under the Ryan Patents. Command Audio introduced its audio-on-demand device (the "RCA CA-1000") at the 1999 Consumer Electronic Show ("CES") in Las Vegas, and its manufacturing and distribution partner, Thomson Consumer Electronics (RCA) earned the Innovation 2000 Design and Engineering Showcase Award for that device. A copy of that award is attached as Exhibit A-1. Further, Command Audio earned the Design and Engineering Showcase Award at the 2000 CES for its audio-on-demand service. A copy of that award is attached as Exhibit A-2.

5. Command Audio's introduction of the RCA CA-1000 and audio-on-demand service also received numerous positive reviews in the popular press. I set forth a selection of those reviews below:

"Command Audio is the first audio-on-demand service that makes it possible for commuters and other consumers to explore and satisfy their own interests by choosing just what they want from hundreds of local and national programs.... Command Audio, marketed under the RCA brand, will feature programs such as continuously updated local traffic, weather, in-depth news, business, finance and also programs on topics such as home improvement and personal investing. ... About the size of a television remote control unit, the RCA CA-1000 ... features easy-to-use controls that intuitively guide users to choose programs, skip from one to another, scan through them and save favorites for later replay. (Exhibit B.)

... At the recent Consumer Electronics Show in Las Vegas ... it was a small company, Command Audio..., that caught my attention and imagination with a new over-the-air pay service that enables listeners to choose the programming they want to hear, whenever and wherever they are. If successful, it would be the world's first audio-on-demand information and entertainment service. ... The service merges traditional radio broadcasting with the processing power of the computer. Command Audio transmits hundreds of programs each day to its network of receivers. The listener, through menu settings, chooses which of those programs he or she wants to hear. The preferred programs are then stored in the radio's internal memory. The listener can then pause, skip from one program to the next, scan by story or segment, and save programs for later listening. (Exhibit C)

6. I believe that those reviews accurately describe the RCA CA-1000 as the "first audio-on-demand" broadcast receiver that allowed "consumers to explore and satisfy their own interests by choosing just what they want from hundreds of local and national programs [including] continuously updated local traffic, weather, in-depth news" and "merges traditional radio broadcasting with the processing power of the computer." This functionality is made possible by the basic architecture described and claimed in the Ryan Application as well as other of the Ryan Patents: a tuner, memory, controller and playback sub-system all coupled together with a menu-driven user interface describing the stored data and allowing selections of specific data for consumption.

7. In mid-2000, Command Audio moved its business from audio-on-demand device and service provider to licensing and software development. In 2001, Command Audio licensed XM Satellite Radio Holdings, Inc. ("XM"). According to XM's Form 10-K filed March 1, 2007 for the fiscal year ending December 31, 2006 ("XM 10-K") (<http://www.sec.gov/Archives/edgar/data/1091530/000119312507044379/d10k.htm>), XM is the leading satellite radio service company, providing programming for reception by vehicle, home and portable radios nationwide and over the Internet to over 7.7 million subscribers. (See Exhibit D). According to page 5 of the XM 10-K, XM satellite receiver/recorders are available under the Delphi, Pioneer, Samsung and Audiovox names at national consumer electronics retailers. (See Exhibit E.) For example, the Pioneer Inno (described in Charles H. Jablonski's Third Declaration) was recipient of the 2006 Best of CES Award given by CNET (see www.pioneerelectronics.com/PUSA/Products/CarAudioVideo/SatelliteRadio/Introducing+the+inno) and is available at national consumer electronics retailers such as Best Buy and Circuit City. (See Exhibit F.)

8. In mid-2002, Command Audio sold its software development business to iBiquity Digital Corporation ("iBiquity"), which is pursuing "HD" radio technology. Since then Command Audio has focused on licensing its patent portfolio, the core of which continues to be the Ryan Patents.

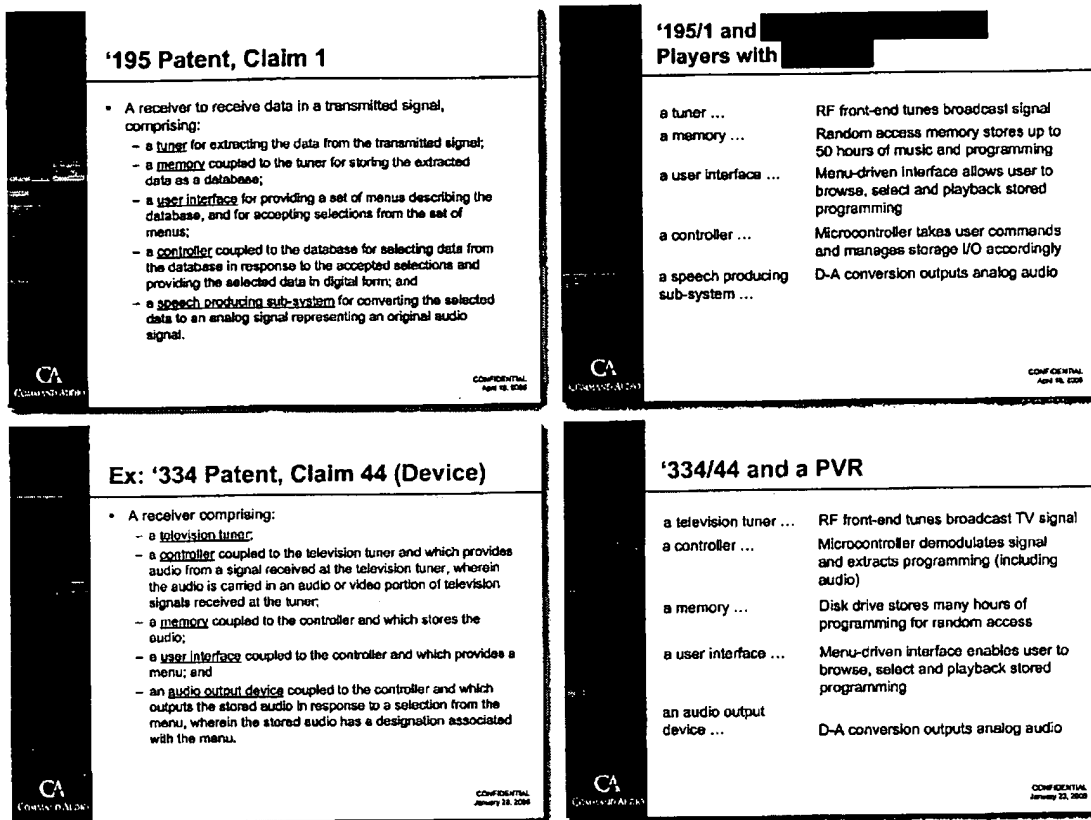
9. Throughout Command Audio's licensing program, I personally have approached prospective licensees, made presentations to them about the Ryan Patents and

pa-1226683

Ryan Architecture (see below), played a leading role in negotiations with them and approved all material terms of the resulting license agreements.

10. Command Audio's licensing program relates almost exclusively to the Ryan Patents and in particular the "Ryan Architecture" described in Charles H. Jablonski's Third Declaration. In its licensing presentations, Command Audio only discusses exemplary independent claims such as Claim 1 of U.S. 5,590,195 or Claim 44 of U.S. Patent No. 6,330,334 with potential licensees. In some cases licensees have negotiated for a license under Command Audio's entire patent portfolio for completeness and others have negotiated rights to Command Audio's non-patent intellectual property. Nevertheless, since its inception the principal focus of our licensing program, our licensing discussions and our licenses are the Ryan Patents and the Ryan Architecture; and since August 2002, the sole focus of our licensing program, our licensing discussions and our licenses has been the Ryan Patents and the Ryan Architecture.

11. Below are actual slides from Command Audio's presentations to prospective licensees relating the Ryan Patents to various products:



I have used versions of those same slides in Command Audio's licensing negotiations over the last approximately six years.

12. In our licensing negotiations, our proposed terms (i.e., royalties in our royalty bearing licenses as well as our paid up licenses) are based on projections of the prospective licensee's entire line of products (e.g., personal video recorders or PVRs) that incorporate the Ryan Architecture. Although we have structured licenses for device manufacturers differently than for broadcasters and have on occasion licensed our entire portfolio (which includes more than just the Ryan Patents), our license negotiations have all centered on the broad independent claims directed to different aspects of the Ryan Architecture. Command Audio has never discussed with any potential licensee structuring its licenses or payments around subsets of dependent claims in the Ryan Patents.

13. In addition to Command Audio's licensing in the audio-on-demand field (such as to XM and iBiquity), Command Audio has also licensed its patents covering the Ryan Architecture for PVRs. Command Audio's PVR licensees include Sony Electronics, pa-1226683

Inc. ("Sony"), ReplayTV (then owned by Digital Networks North America, Inc.) and Scientific Atlanta, a subsidiary of Cisco Systems. Our license revenues to date — which I attribute directly to the Ryan Architecture for the reasons stated above — are in excess of \$19 million.

14. Sony, for example, was one of the two companies (along with Philips) that helped launch TiVo's PVR device and service (which debuted at the same 1999 CES as Command Audio's RCA CA-1000).

15. On February 1, 2002, Command Audio filed its complaint in *Command Audio Corporation v. Sony Electronics, Inc.*, Case No. 02-cv-0599 (MJJ) in the United States District Court for the Northern District of California alleging, among other things, that Sony's SVR-2000 and SVR-3000 PVRs infringed two of the Ryan Patents (U.S. Patent Nos. 5,590,195 and 6,330,334). Those PVR products are described in Charles H. Jablonski's Third Declaration. After years of litigation (including Sony's unsuccessful motions to invalidate the claims of those patents and Command Audio's successful motion for summary judgment of infringement), Sony settled the litigation in 2005 on the eve of trial. In addition to a substantial cash payment for past infringement, Sony took a world-wide, royalty bearing, non-exclusive license under the Ryan Patents.

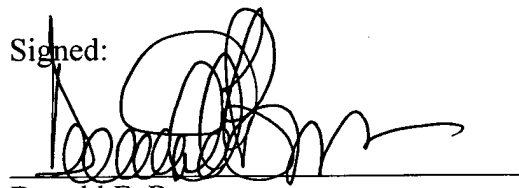
16. According to page 20 of the Form 10K filed with the SEC on April 15, 2004 by TiVo, Inc., ("TiVo") for the period ending January 31, 2004 (<http://www.sec.gov/Archives/edgar/data/1088825/000119312504063164/d10k.htm>), as of January 31, 2004, TiVo had sold 656,000 subscriptions to customers having TiVo-enabled products, including those manufactured by TiVo, Sony, Pioneer, Toshiba and Philips. (See Exhibit G).

17. Scientific Atlanta ("SA") also makes PVR products called the Explorer 8000, 8000HD, 8240 and 8300. (www.scientificatlanta.com/Products/consumers/newableboxes.htm). Those PVR products are also described in Charles H. Jablonski's Third Declaration. According to page 15 of SA's Form 10Q filed November 3, 2005 for the period ending September 30, 2005 (<http://www.sec.gov/Archives/edgar/data/87777/000119312505215567/d10q.htm>), during

the quarter ended September 30, 2005, SA sold 465,000 set-tops with digital video recording capability. (See Exhibit H). According to page 17 of SA's Form 10Q filed February 28, 2006 for the period ending December 30, 2005 (<http://www.sec.gov/Archives/edgar/data/87777/000119312506023772/d10q.htm>), during the quarter ended December 30, 2005, SA sold 556,000 set-tops with digital video recording capability. (See Exhibit I). On information and belief, SA has shipped more units of DVR-enabled cable set top boxes in the United States cumulatively through the first half of 2007 than any other company, representing in my estimation more than three billion dollars (\$3,000,000,000) of cumulative revenue.

18. I understand that willful false statements and the like in this declaration are punishable by fine or imprisonment, or both (18 U.S.C. § 1001), and may jeopardize the validity of the above cited application or any patent issuing thereon. All statements made in this declaration of my own knowledge are true and all statements made on information and belief are believed to be true.

Signed:



Donald F. Bogue

Date:

2/6/08

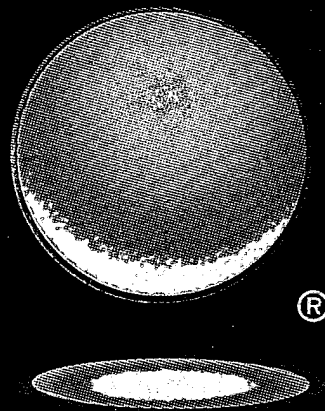
DONALD F. BOGUE EXHIBITS

FOR

**METHOD AND SYSTEM FOR
INFORMATION DISSEMINATION WITH
USER MENU INTERFACE (AS
AMENDED)**

**DOCKET No. 549222000101
APPLICATION No. 08/977,846
FILING DATE: NOVEMBER 25, 1997**

A-1



DESIGN & ENGINEERING
SHOWCASE AWARD

Presented To

Thomson Consumer Electronics

Command Audio Receiver

CA-1000

1999 International CES

A-2

®

DESIGN & ENGINEERING SHOWCASE AWARD

Exhibitor Recognition
Presented To

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Command Audio Audio & Service

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Command Audio

Audio-on-demand to debut in 1999



01/07/1999 – If you spend countless hours commuting to work on the subway, train, car or bus, there's a new way to get your daily news fix: From Thomson Consumer Electronics comes Command Audio -- no longer will you have to juggle your newspaper and morning coffee or wait until you get to the office to read the morning paper.

Command Audio is the first audio-on-demand service that makes it possible for commuters and other consumers to explore and satisfy their own interests by choosing just what they want from hundreds of local and national programs, selected from both print and broadcast media.

Command Audio, marketed under the RCA brand, will feature programs such as continuously updated local traffic, weather, in-depth news, sports, business, finance and also programs on topics such as home improvement and personal investing.

Program sources include Time magazine, People magazine, Sports Illustrated, National Public Radio and ABC News, and include well known personalities such as Dr. Laura, Art Bell, Jim Rome and Bob Edwards from radio and Ted Koppel and Jim Lehrer from television.

About the size of a television remote control unit, the RCA CA-1000 wirelessly captures and stores the programs each listener wants, then plays them back at any desired time. The receiver requires no computer or Internet connection to select, receive or play back programs. It features easy-to-use controls that intuitively guide users to choose programs, skip from one to another, scan through them and save favorites for later replay. A natural "eyes free" interface ensures commuters can enjoy Command Audio safely while driving.

Every CA-1000 receiver comes pre-set to capture twenty to thirty of the most popular programs. A consumer can simply continue to receive and listen to those pre-set programs or, whenever convenient, can select from among the hundreds of programs available and personalize the service to match his or her specific needs and interests. Breaking news and local traffic is automatically updated as new information becomes available, typically every few minutes. Consumers can also choose from

Hot News



RealNetworks' RealJukebox
Now you can turn
your PC into a
Jukebox with

RealNetworks' RealJukebox. RealJukebox is a digital music product that gives consumers everything they need to acquire, play and manage their music collections. RealJukebox is based on RealSystem MP, [Click here for more](#)



JVC Portable CD Players
The only thing
that gets me
through my

workout on the treadmill is listening to tunes -- the only problem is that sometimes my CD player skips because of the movement. JVC recently introduced a new line of portable CD players for folks on the go. [Click here for more](#)



Olympus V90 Digital Voice Recorder
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involved in

dictating notes, or prefer verbal notes when in meetings or on the road, check out this voice recorder from Olympus. The V90 Digital Voice Recorder is a tiny 1.6-ounce digital voice recorder that fits in the palm of the hand. [Click here for more](#)



programs such as nationally syndicated radio shows "Car Talk", Garrison Keillor and Billy Graham; local radio and original content programs; and also spoken-word selections from popular publications including Business Week, Scientific American, Popular Science and the Associated Press.

The CA-1000 receiver plays wirelessly through a car's audio system. It can also be used with headphones or the built-in speaker outside of the car.

Command Audio will make its debut in 10 markets in 1999 and rollout across the country beginning in 2000. The service will cost \$15 a month, about as much as a daily newspaper. The RCA CA-1000 receiver will sell for about \$200.

by The Gadget Guru



PREV



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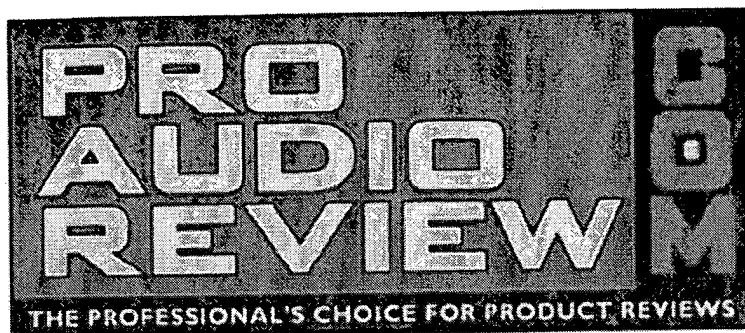
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Back to the Future of Audio Broadcasting

by Frank Beacham – March 2000 Column #49

As a child of the 60s, I still carry a strong sense of nostalgia for the discoveries of the open road. Inspired by the transient adventures of Jack Kerouac and Neal Cassady, I loved nothing more than putting foot to the pedal and roaring off into what was then a widely diverse American landscape.

Those were days before the mass-marketed, homogenized entertainment culture had taken hold. Mom and pop diners (the best and the worst) still outnumbered fast food joints, you could always find a good hardware store along the way, and shopping malls were few and far between.

One of the best parts of those heady times was local radio. Each new town brought a new listening experience. Driving through the South in the early 60s, you might encounter "John R" introducing rhythm and blues music to a still segregated South from WLAC in Nashville. Or, in San Francisco a few years later, it might have been "Big Daddy" Tom Donahue's unique freeform "underground" radio on KSAN.

Spinning the dial along the open road offered an introduction to the town you were passing through. The best local DJ's -- shunning a programmer's playlist -- worked from the heart. They mirrored their local culture and gave the outsider a genuine lesson in the richness of diversity among places and people. It was "personal audio" at its finest.

Of course, corporate consolidation and the bottom line changed all that. Today, commercial radio is segmented into tight demographic formats that leave little room for local diversity or the DJ's personal input. Because of this trend, we've seen an explosion of creative Internet radio stations and a movement to establish a new category of low power stations that would dramatically lower the barriers to alternative broadcasters.

The real promise of diversity, however, might rest in new technology. At the recent Consumer Electronics Show in Las Vegas, the big hype was over the pending launch of satellite radio, a new pay medium that delivers dozens of narrowly-formatted music channels directly to the car or home.

Yet, it was a small company, Command Audio of Redwood City, CA, that caught my attention

and imagination with a new over-the-air pay service that enables listeners to choose the programming they want to hear, whenever they want and wherever they are. If successful, it would be the world's first wireless audio-on-demand information and entertainment service.

This is not some pie in the sky concept that may never see the light of day. Command Audio (www.commandaudio.com) has already launched in Denver and Phoenix and has plans to roll out to other cities throughout this year. Nationwide service is scheduled for 2001.

Currently, listeners access Command Audio broadcasts over a portable RCA receiver sold for \$199 through consumer electronics retailers. The signal is transmitted using a network of FM subcarriers. Subscriptions for audio services begin at \$11.95 a month.

Most of today's programs come from brand names in broadcasting and print media. But as the service ramps up, Command Audio plans to offer a diverse range of programming that's difficult, if not impossible, to find over traditional broadcast stations.

The service merges traditional radio broadcasting with the processing power of the computer. Command Audio transmits hundreds of programs each day to its network of receivers. The listener, through menu settings, chooses which of those programs he or she wants to hear. The preferred programs are stored in the radio's internal memory. The listener can then pause, skip from one program to the next, scan by story or segment, and save programs for later listening.

Beyond the current FM subcarrier technology, Command Audio and Motorola announced that the service will soon be broadcast to vehicles in the next generation of automotive telematics systems. Telematics technology combines wireless voice and data, including Global Positioning Systems (GPS), to provide location-specific security, information, and entertainment to the occupants of automobiles.

As a result of the alliance, Command Audio's service will be integrated into Motorola's new iRadio, a next-generation in-vehicle information and entertainment system. There are plans to extend the service to a variety of platforms, including handheld information appliances, in the future.

Of course, technologies like Command Audio can never deliver the mass audience that enabled radio to help shape our collective culture in an earlier era. By its very nature, this new personal audio technology isolates and further fragments listeners into even more narrow niches.

At least, however, it signals a return to listener choice. That alone is a triumph over the current commercial radio broadcasting system. One can only hope that the John Rs and Tom Donahues of the future will be able to find an audience with this powerful new technology.

Frank Beacham is a New York City-based writer and producer. Visit his web site at: <http://www.beacham.com>. E-mail: frank@beacham.com.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For The Fiscal Year Ended December 31, 2006

Commission File Number	Exact name of Registrant As Specified in its Charter	I.R.S. Employer Identification Number
000-27441	XM SATELLITE RADIO HOLDINGS INC.	54-1878819
333-39178	XM SATELLITE RADIO INC.	52-1805102

DELAWARE

(State or other jurisdiction of incorporation or organization of both registrants)

1500 ECKINGTON PLACE, NE
WASHINGTON, DC 20002-2194
(Address of principal executive offices) (Zip code)

202-380-4000
(Registrants' telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:
Class A Common Stock, \$.01 par value

Securities registered pursuant to Section 12(g) of the Act:
Not Applicable
(Title of Classes)

Indicate by check mark if each registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if each registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☒ No ☐

Indicate by check mark whether each registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of each registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether each registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

XM Satellite Radio Holdings Inc.	Large Accelerated Filer <input checked="" type="checkbox"/>	Accelerated Filer <input type="checkbox"/>	Non-Accelerated Filer <input type="checkbox"/>
XM Satellite Radio Inc.	Large Accelerated Filer <input type="checkbox"/>	Accelerated Filer <input type="checkbox"/>	Non-Accelerated Filer <input checked="" type="checkbox"/>

Indicate by check mark whether each registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes ☐ No ☒

The aggregate market value of common stock held by non-affiliates of XM Satellite Radio Holdings Inc., based upon the closing price of its Class A common stock as of June 30, 2006, is \$3,929,035,815.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

(Class)	(Outstanding as of January 31, 2007)
XM SATELLITE RADIO HOLDINGS INC. CLASS A COMMON STOCK, \$.01 PAR VALUE	305,813,114 SHARES
XM SATELLITE RADIO INC. COMMON STOCK, \$.10 PAR VALUE (all shares are issued to XM Satellite Radio Holdings Inc.)	125 SHARES

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement for the Annual Meeting of Stockholders of XM Satellite Radio Holdings Inc. to be held on May 25, 2007, to be filed within 120 days after the end of XM Satellite Radio Holdings Inc.'s fiscal year, are incorporated by reference into Part III, Items 10-14 of this Form 10-K.

ITEM 1. BUSINESS

We are America's leading satellite radio service company, providing music, news, talk, information, entertainment and sports programming for reception by vehicle, home and portable radios nationwide and over the Internet to over 7.7 million subscribers. Our basic monthly subscription fee is \$12.95. We believe XM Radio appeals to consumers because of our innovative and diverse programming, nationwide coverage, many commercial-free music channels and digital sound quality.

Our channel lineup includes more than 170 digital channels of choice from coast to coast. We broadcast from our studios in Washington, DC, New York City, including Jazz at Lincoln Center, and the Country Music Hall of Fame in Nashville. We have added new and innovative programming to our core channel categories of music, sports, news, talk and entertainment. Also included in the XM Radio service, at no additional charge, are the XM customizable sports and stock tickers available to users of certain receivers and other online services.

Our target market includes the more than 240 million registered vehicles including the 16.5 million new cars sold each year as well as the over 110 million households in the United States. In addition, some of our recent and upcoming product offerings focus on the portable and wearable audio segments. Broad distribution of XM Radio through new automobiles and through mass market retailers is central to our business strategy. We are the leader in satellite-delivered entertainment and data services for new automobiles through partnerships with General Motors, Honda/Acura, Toyota/Lexus/Scion, Hyundai, Nissan/Infiniti, Porsche, Suzuki and Isuzu and available in more than 140 different vehicle models for model year 2007. XM radios are available under the Delphi, Pioneer, Samsung, Alpine, Audiovox, Sony, Polk and other brand names at national consumer electronics retailers, such as Best Buy, Circuit City, Wal-Mart, Target and other national and regional retailers. These mass market retailers support our expanded line of car stereo, home stereo, plug and play and portable handheld products. According to Greystone Communications, we have one of the fastest growing consumer electronics products having reached 5 million subscribers faster than new technology introductions such as cable television, Internet, cell phones and MP3 players.

Proposed Merger

On February 19, 2007, XM and Sirius Satellite Radio Inc. ("SIRIUS") entered into an Agreement and Plan of Merger (the "Merger Agreement"), pursuant to which XM and SIRIUS will combine our businesses through a merger of XM and a newly formed, wholly owned subsidiary of SIRIUS (the "Merger"). The Merger is discussed more fully below under the caption "Proposed Merger with SIRIUS."

Our Programming

The full XM channel lineup as of January 31, 2007 includes over 170 channels, featuring 69 commercial-free music channels; 5 commercial music channels, 37 news, talk and entertainment channels; 38 sports channels; 21 Instant Traffic & Weather channels; and one emergency alert channel. We broadcast from our studios in Washington, DC, New York City, including Jazz at Lincoln Center, and the Country Music Hall of Fame in Nashville. Our programming includes channels designed to appeal to different segments, including urban and rural listeners of different demographics and to specific groups that our research has shown are most likely to subscribe to our service, thereby aggregating a large potential audience for our service. In addition to providing radio formats that are appealing to different groups, in every format we deliver we strive to provide an entertaining or informative listening experience and make XM the audio service of choice for consumers. We continue to add new and innovative programming to our core channel categories of music, sports, news, talk and entertainment. Also included in the XM Radio service, at no additional charge, are the XM customizable sports and stock tickers available to users of certain receivers.

Hallmarks of our programming include:

Broad range of commercial-free music genres and live radio entertainment. XM offers commercial-free music channels covering genres including Decades, Country, Pop & Hits, Christian, Rock, Hip-Hop/Urban, Jazz & Blues,

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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Securities registered pursuant to Section 12(g) of the Act:
Not Applicable
(Title of Classes)

Indicate by check mark if each registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if each registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☒ No ☐

Indicate by check mark whether each registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of each registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether each registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

XM Satellite Radio Holdings Inc.	Large Accelerated Filer <input checked="" type="checkbox"/>	Accelerated Filer <input type="checkbox"/>	Non-Accelerated Filer <input type="checkbox"/>
XM Satellite Radio Inc.	Large Accelerated Filer <input type="checkbox"/>	Accelerated Filer <input type="checkbox"/>	Non-Accelerated Filer <input checked="" type="checkbox"/>

Indicate by check mark whether each registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes ☐ No ☒

The aggregate market value of common stock held by non-affiliates of XM Satellite Radio Holdings Inc., based upon the closing price of its Class A common stock as of June 30, 2006, is \$3,929,035,815.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

(Class)	(Outstanding as of January 31, 2007)
XM SATELLITE RADIO HOLDINGS INC. CLASS A COMMON STOCK, \$0.01 PAR VALUE	305,813,114 SHARES
XM SATELLITE RADIO INC. COMMON STOCK, \$0.10 PAR VALUE (all shares are issued to XM Satellite Radio Holdings Inc.)	125 SHARES

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement for the Annual Meeting of Stockholders of XM Satellite Radio Holdings Inc. to be held on May 25, 2007, to be filed within 120 days after the end of XM Satellite Radio Holdings Inc.'s fiscal year, are incorporated by reference into Part III, Items 10-14 of this Form 10-K.

Harley-Davidson. In 2005, we entered into the motorcycle market with Harley-Davidson's exclusive 2006 FLHTCUSEB "Heritage Softail" Eagle Ultra Classic Electra Glide, the first ever motorcycle model equipped with a standard XM Satellite Radio, and continue to be installed on the 2007 model. Our service can also be added as an accessory feature on 12 other Harley-Davidson bikes in its 2007 touring lineup.

Other Automobile and Truck Manufacturers. Isuzu, Lotus, Subaru, and Suzuki offer XM Radio as either a dealer and/or factory-installed option in numerous popular makes and models. We are educating automobile dealers about XM Radio to develop sales and promotional campaigns that promote XM radios to new car buyers. In addition, we have relationships with Freightliner Corporation and Pana Pacific, and XM radios are available in Freightliner and Peterbilt trucks.

Aftermarket

XM radios are available in the aftermarket under the Audiovox, Delphi, Pioneer, AGT, Alpine, Sony, Polk, and etón/Grundig brand names at national consumer electronics retailers, such as Best Buy, Circuit City, Wal-Mart and other national and regional retailers. These mass market retailers support our expanded line of car stereo, home stereo, plug and play and portable handheld products. We develop in-store merchandising materials, including end-aisle displays for several retailers, and train the sales forces of all major retailers.

We further expanded our product line in 2006:

XM2go Portable, Handheld Products. In 2006, we and Pioneer introduced the Pioneer Inno™, the next-generation portable XM2go satellite radio that plays live satellite radio "on the go" and both MP3s and WMAs. The Inno™ includes a feature that allows the user to "bookmark" songs heard on XM, connect the Inno™ to a personal computer, and instantly purchase the songs from the XM + Napster online service. In 2005, Pioneer and Tao each introduced new XM2go models to follow up on the 2004 introduction of the XM Delphi XM2go MyFi, the first personal, portable satellite radio. The XM2go hand-held models enable users to enjoy XM Radio in two ways: a "live" listening mode that enables users to listen live to all of XM's channels and a "memory" mode that allows users to store five hours or more of XM content, even when the unit is not in use. XM2go models also feature customizable sports and stock tickers, as well as a clock and alarm.

Plug-and-Play XM Radios. In August 2005, we introduced the Roady XT, a small, lightweight unit with a built-in FM transmitter that can make any FM radio an XM radio by wirelessly transmitting XM Satellite Radio to any one of its 100 FM radio frequencies. The Roady XT has a customizable sports ticker that displays the latest scores and schedules for professional and college sports. It also has a customizable stock ticker for keeping track of up to 20 stocks, and the popular TuneSelect feature, which alerts the listener when favorite songs and artists are played on any XM channel. The Audiovox Xpress is the smallest satellite radio to offer a five-line display screen and also features customizable sports and stock tickers. The Delphi SkyFi2 has an innovative pause and replay function, a customizable sports and stock ticker and TuneSelect with a built-in FM transmitter. In the fall of 2006, we introduced the Delphi SkyFi3, the next generation in the SkyFi family. While providing similar features to that of the SkyFi2, the SkyFi3 is more compact and provides for 10 hours of storage of XM programming.

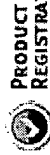
Connect-and-Play and Passport Technologies. Our "Connect-and-Play" and "Passport" technologies integrate into a broad range of home devices such as stereo receivers and DVD players by allowing the listener to simply plug an XM Connect-and-Play antenna into an XM-ready receiver. Yamaha offers XM-ready products including home receivers and home theater systems. Other manufacturers of our Connect-and-Play home equipment include etón/Grundig, Pioneer, Denon, Harmon Kardon, LG Electronics, Onkyo, Thomson/RCA, Polk Audio and Boston Acoustics.

Advanced Applications. In addition to TuneSelect and the customizable sports and stock tickers, we also offer XM NavTraffic, the nation's first satellite traffic data service, which provides continuously updated real-time traffic information for 44 major metropolitan cities across the United States for a monthly fee. For aviation and marine, the XM WX satellite weather service provides real-time graphical weather data for advanced situational awareness in prevailing weather conditions. At the 2007 International Consumer Electronics Show ("CES"), XM demonstrated the next steps in advanced applications featuring XM WeatherLink, providing real time weather information for vehicle and portable navigation systems (including a preview of the Bushnell ONIX 400, the first handheld device to feature the service), XM ParkingLink for dynamic parking space availability information for navigation systems, conversational speech interaction and video technology.

To facilitate attractive pricing for retail radio and automobile consumers, we have financial arrangements with certain radio manufacturers that include our subsidizing of certain radio component parts. We are pursuing additional arrangements for the manufacture and distribution of XM radios for the home and portable markets.



SUPPORT ►



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Home > [Products](#) > [Car Audio/Video](#) > [Satellite Radio](#)

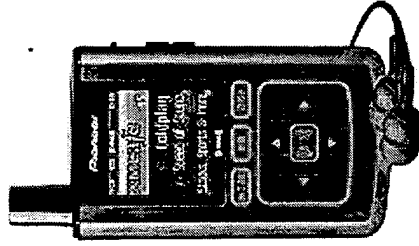
Satellite Radio

Introducing the inno

Live Satellite Radio and Your Downloaded Music Finally Unite In One Tiny Gadget

Two of the biggest names in the electronics industry, Pioneer and XM® Satellite Radio, brought their collaborative forces together to bring you inno™, recipient of the coveted 2006 Best of CES Award given by CNET. The buzz surrounding this new device is astounding; after all, this revolutionary handheld device incorporates live satellite radio and an MP3 player all in one. If you're always on the go and you need music to entertain you along the way, inno is your perfect solution.

You May Have Already Done The Research, But The Facts Are Worth Repeating!



inno boasts :

- A full color display
- Storage of up to 50 hours of XM content*
- Ability to schedule recordings in advance so you don't miss a thing
- 170 digital channels of commercial-free programming including concerts, original broadcasts, sports, talk and entertainment
- Easy transfer of your WMA and MP3 files to your inno, to listen on the go
- Ability to create your own playlists incorporating a mix of either your own music or recorded XM songs
- Capability to "bookmark" songs: discovered a new tune? Tag it and purchase it online with XM + Napster
- Home Kit and remote included (Additional home kits available, [CD-INHOME1](#))
- Optional Car Kit is available as an additional accessory ([CD-INCAR1](#)) and is required to utilize FM Modulator/Transmitter

All this wrapped into one little 4.5-ounce gadget! inno will be available in stores and online in May. Check out all the features and specifications on the [inno™ Product Page](#).

Record Live Satellite Radio

The greatest feature of inno is its recording abilities. Imagine the possibilities—while listening to XM, you hear new song, or an old favorite, and you can easily record it at the touch of a button! Here is a short cut: while listening to the song, press the center XM button for two seconds and your inno will automatically begin recording. And don't worry if you missed the beginning of the song; a 10-minute buffer will capture the recording from the beginning. You can even record a channel for any length of period until you tell it to stop recording, subject of course to how



Introducing the inno

Live XM Radio and MP3s in one incredibly small device

PRINTER FRIENDLY VERSION
OLDER MODELS

much memory space you have available. Another fantastic option is to schedule a recording in advance. You can choose to record "Today", "Everyday" or even on a specific "Date".

What More Could You Ask for? Pioneer, XM... and Now Napster Completes This Power House Team

Another huge perk of inno is the included XM + Napster software. Here is the exclusive low down. "Bookmarking" is easy to do—it is simply noting a song to be revisited later on XM + Napster. (You can only "bookmark" live or recorded XM tracks, not MP3 or WMA tracks.) Here is where Napster comes in. Connect your inno to your PC or laptop, which will then launch the XM + Napster program. These "tagged" songs will pop up on the screen and give you the option to buy. This feature helps immensely if you don't have time to look up artists or songs. Instead you do the research while you listen, and the XM + Napster software will lead you right to the music you're interested in. On this easy to use website you can also discover new artists, read bios and get further listening recommendations.

*** With maximum available memory set to 100% XM.**

The ability of XM Satellite Radio depends on the signal strength in your location of use and on the ability of the XM antenna to receive a signal. The signal may be unavailable if obstructed (e.g., by buildings, mountains, trees, bridges, bad weather, etc.). These factors may result in an interruption of service. For best recording results, record when the receiver is used in the Home Dock together with the Home Antenna.

Required monthly XM subscription, attachments sold separately. Other fees and taxes may apply, including a one-time XM activation fee. XM products, programming, services, and fees are subject to change, at any time, without notice. Live reception may vary by location. Subscription subject to terms and conditions available at xmradio.com. Only available in the 48 contiguous United States.

XM is a registered trademark of XM Satellite Radio Inc. INNO is a trademark of Pioneer Corporation. NAPSTER is a registered trademark of Napster, LLC.

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D. C. 20549

FORM 10-K

**Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the fiscal year ended January 31, 2004**

Commission file number 000-27141

TIVO INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

77-0463167

(IRS Employer Identification No.)

2160 Gold Street, PO Box 2160, Alviso, CA
(Address of principal executive offices)

95002
(Zip Code)

(408) 519-9100

(Registrant's telephone number including area code)

Securities registered pursuant to Section 12(b) of the Act:
NONE

Securities registered pursuant to Section 12(g) of the Act:
COMMON STOCK, \$.001 PAR VALUE PER SHARE

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K. ☒

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes ☒ No ☐

As of July 31, 2003, the aggregate market value of the voting stock held by non-affiliates of the registrant, based upon the closing sales price for the registrant's common stock, as reported in the Nasdaq National Market System, was \$481.6 million.

On April 1, 2004, the Registrant had 80,065,722 outstanding shares of common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Parts of Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held on August 4, 2004 are incorporated by reference into Part III of this Annual Report on Form 10-K (The Report of the Compensation Committee, the Report of the Audit Committee and the Comparative Stock Performance graph of the Registrant's Proxy Statement are expressly not incorporated by reference herein.)

Table of Contents

Cost of Revenues. The costs of our revenues increased by approximately 52% during the fiscal year 2004 primarily because of increased cost of hardware revenues. This cost increased over \$30.2 million, or approximately 68%, compared to the prior fiscal year due to continued increases in our TiVo-enabled DVR manufacturing volume. Cost of service revenues for the fiscal year ended January 31, 2004 increased modestly compared to the prior fiscal year.

Operating Expenses. Over the last three years, our operating expenses have decreased primarily due to reductions in sales and marketing expenses. We expect operating expenses to increase due to the planned increased spending on subscriber acquisition activities.

Cash Flows from Operations. We expect cash flows from operations in the fiscal year 2005 to decline due to higher operating expenses attributable to our planned increased subscription acquisition activities.

Key Business Metrics

Management periodically reviews certain key business metrics in order to evaluate the effectiveness of our operational strategies, allocate resources, and maximize the financial performance of our business. These key business metrics include subscription growth and cash flows used in operations.

Subscription Growth

Management believes this metric provides an important leading indicator of revenue generation in future years. Management uses it to help evaluate the execution and performance of TiVo's and DIRECTV's marketing programs in acquiring new subscriptions and retaining existing subscriptions. We define a "Subscription" as a TiVo-enabled DVR for which (i) a customer has paid for the TiVo service and (ii) service is not canceled. DVRs with the TiVo Basic service that do not upgrade to the TiVo service are not included in our subscription totals. As of January 31, 2004, our total installed Subscription base was approximately 1,332,000, over twice the installed base as of January 31, 2003. Included in the 1,332,000 subscriptions are approximately 14,000 product lifetime subscriptions that had reached the end of the four-year period we use to recognize lifetime subscription revenues.

Below is a table that details the growth in our Subscription base during the past eight quarters. The TiVo Service line items refer to subscriptions sold to customers who have TiVo-enabled DVRs and products, including those manufactured by TiVo, Sony, Pioneer, Toshiba, Philips, and others. The DIRECTV line items refer to subscriptions sold to customers who have integrated DIRECTV satellite receivers with TiVo. Additionally, we provide a breakdown of the percent of TiVo Service Subscriptions for which consumers pay a recurring fee.

DIRECTV reports and pays us monthly subscription fees on a per-household basis. For households with multiple DVRs, we count each DVR as a Subscription. For the month of January 2004, DIRECTV paid us for approximately 576,000 households, which represented approximately 676,000 subscriptions. As a result, there were approximately 100,000 DIRECTV satellite receivers with TiVo for which we receive no additional payment from DIRECTV.

In January 2004, we recognized approximately \$1.62 in average subscription revenue per DIRECTV subscription, excluding advertising and audience research revenues, compared to approximately \$4.27 in January 2003. We expect the average monthly subscription revenue per DIRECTV subscription to decline in the future as the mix of DIRECTV subscriptions shifts to the rapidly growing number of additions of new DIRECTV subscriptions, which involve no acquisition costs, lower recurring expenses, and lower subscription fees.

(Subscriptions in thousands)	Three Months Ended							
	Jan 31, 2004	Oct 31, 2003	Jul 31, 2003	Apr 30, 2003	Jan 31, 2003	Oct 31, 2002	Jul 31, 2002	Apr 30, 2002
TiVo Service	130	59	34	37	75	30	21	24
DIRECTV	200	150	56	42	39	16	21	18
Total Subscriptions Net Additions	330	209	90	79	114	46	42	42
TiVo Service	656	526	467	433	396	321	291	270
DIRECTV	676	476	326	270	228	189	173	152
Total Cumulative Subscriptions	1,332	1,002	793	703	624	510	464	422
% of TiVo Service Cumulative Subscriptions paying recurring fees	40%	36%	34%	34%	34%	34%	33%	34%

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2005

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 1-5517

SCIENTIFIC-ATLANTA, INC.

(Exact name of Registrant as specified in its charter)

Georgia
(State or other jurisdiction of
incorporation or organization)

5030 Sugarloaf Parkway
Lawrenceville, Georgia
(Address of principal executive offices)

58-0612397
(I.R.S. Employer
Identification Number)

30044-2869
(Zip Code)

770-236-5000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

Indicate by check mark whether the registrant is an accelerated filer (as defined by Rule 12b-2 of the Exchange Act).

Yes ☒ No ☐

As of September 30, 2005, Scientific-Atlanta, Inc. had outstanding 153,561,509 shares of common stock.

OVERVIEW

Sales for the three months ended September 30, 2005 were \$490.0 million, an increase of 8 percent over the comparable period of the prior year. The year-over-year increase was driven by higher sales volume of Explorer® digital set-tops and WebSTAR™ cable modems. Sales of transmission products also increased 8 percent. Gross margin of 37.5 percent was 0.9 percentage points higher than the prior year. Operating expenses increased \$15.1 million due primarily to the expensing of compensation related to stock options and incremental hiring of engineers related to new set-top designs. Net earnings for the three months ended September 30, 2005 of \$60.7 million were \$4.9 million higher than the prior year driven primarily by the higher sales volume, improved gross margin and higher interest income in the first quarter of fiscal year 2006 as compared to the prior year. These increases were partially offset by the recording of compensation expense related to stock options.

FINANCIAL CONDITION AND LIQUIDITY

Scientific-Atlanta had stockholders' equity of \$2.1 billion and cash and cash equivalents were \$496.7 million at September 30, 2005. We also had \$1.1 billion of short-term investments at September 30, 2005. Cash provided by operating activities for the quarter ended September 30, 2005 of \$27.5 million included net earnings of \$60.7 million and an increase of \$16.1 million in income taxes payable. These were offset by increases in accounts receivable and inventory of \$30.5 million and \$14.8 million, respectively, and a reduction in accrued liabilities of \$19.5 million. The increase in accounts receivable relates primarily to the timing of shipments and acceptance of product in the first quarter of fiscal year 2006 as compared to the preceding quarter. The increase in inventory relates to the production of products for new markets and a shift in product mix due to the variety of models and additional features on these models we are currently offering. Accrued expenses decreased primarily due to the payment of fiscal year 2005 incentives on performance-based plans.

During the quarter ended September 30, 2005, we increased our short-term investments by \$6.1 million and acquired property, plant and equipment for \$9.6 million. In addition, we acquired the outstanding interest in the Scientific-Atlanta Shanghai Limited joint venture from the other shareholders for a cash payment of \$4.3 million.

The current ratio of Scientific-Atlanta was 6.0:1 at September 30, 2005, up from 5.4:1 at July 1, 2005. At September 30, 2005, we had debt of \$7.2 million, primarily mortgages on facilities we assumed in connection with the acquisition of BarcoNet NV during fiscal year 2002. We believe that funds generated from operations, existing cash balances and our available senior credit facility will be sufficient to support operations.

RESULTS OF OPERATIONS

Sales for the quarter ended September 30, 2005 were \$490.0 million, up \$37.4 million or 8 percent over the prior year. International sales for the first quarter of fiscal year 2006 were \$134.5 million, up 37 percent over the prior year. Year-over-year international sales increased in all regions except the Asia / Pacific region.

Sales of subscriber products increased 8 percent from last year's first quarter to \$360.8 million. The year-over-year increase was due to an increase in the number of digital set-tops sold to 1.1 million units, up from 1.0 million digital set-tops shipped during the first quarter of last year. In addition, an increase in the mix of higher-end digital set-top products and an increase in sales of WebSTAR cable modems to 957 thousand units contributed to the growth in sales. The impact related to the increase in volumes was partially offset by lower selling prices for all of our set-top and cable modem products. Of the 1.1 million Explorer digital set-tops sold during the quarter, 465 thousand units were set-tops with digital video recording capability (DVRs), including 244 thousand units of our standard-definition model and 221 thousand units of our high-definition DVR model. We also sold 141 thousand high-definition set-tops without DVR capability. Together with the high-definition DVRs mentioned previously, we sold 362 thousand high-definition set-tops in the quarter, an increase of 50 percent from the 241 thousand units shipped during the first quarter of last year.

Sales of transmission products were \$129.4 million in the first quarter of fiscal year 2006, an increase of 8 percent compared to the prior year. During the quarter we recognized \$19.2 million of sales related to SBC Communications Inc.'s acceptance of the first Super Hub Office, Video Hub Office, and Video Operations Center related to their Project Lightspeed initiative.

Gross margin in the first quarter was 37.5 percent of sales, an increase of 0.9 percentage points from last year. The major sources of the improvement in gross margin included year-to-year product cost improvements related to cost reductions through product design, procurement, and improvements in manufacturing efficiencies. In addition, benefits related to an 8 percent increase in sales compared to the first quarter of last year, also contributed to the gross margin improvement. These favorable

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended December 30, 2005

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 1-5517

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(Zip Code)

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of January 27, 2006, Scientific-Atlanta, Inc. had outstanding 154,827,972 shares of common stock.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Sales for three months ended December 30, 2005 were \$495.2 million, an increase of 12 percent over the comparable period of the prior year. Sales of subscriber products were \$372.8 million, up 14 percent over the prior year. The year-over-year increase in sales of subscriber products was due to higher volumes of Explorer® digital set-tops and WebSTAR™ cable modems and a continued mix shift toward higher-end set-top and modem products. Gross margins of 36.1 percent were one percentage point lower than in the prior year. Operating expenses increased \$19.1 million over the prior year due primarily to expenses related to the pending acquisition by Cisco and stock compensation expense. Net earnings for the three months of \$53.4 million were \$5.2 million lower than last year. Earnings generated by the higher sales volume in the three months ended December 30, 2005 as compared to the prior year were more than offset by lower gross margins and higher operating expenses.

In November 2005, we announced an agreement to be acquired by Cisco. On February 2, 2006, the shareholders of the company approved the acquisition at a special meeting of the shareholders. The companies expect the transaction to be consummated in the first calendar quarter of 2006.

FINANCIAL CONDITION AND LIQUIDITY

Scientific-Atlanta had stockholders' equity of \$2.2 billion and cash and cash equivalents of \$584.8 million at December 30, 2005. We also had \$1.1 billion of short-term investments at December 30, 2005. Cash provided by operating activities for the six months ended December 30, 2005 of \$121.4 million included net earnings of \$114.2 million. Accounts receivable and inventory increased \$26.2 million and \$8.4 million, respectively. In addition, accounts payable and accrued liabilities decreased by of \$15.2 million and \$6.7 million, respectively. The increase in accounts receivable relates to the timing of shipments. The increase in inventory relates to increased demand for cable modems for which shipments were disrupted due to a technical issue that was resolved late in the second quarter, production of new products we expect to begin shipping in the second half of fiscal year 2006, product mix, and reduced forecast visibility. Accrued liabilities decreased primarily due to the payment of fiscal year 2005 incentives on performance based incentive plans.

During the six months ended December 30, 2005, we increased our short-term investments by \$17.8 million and acquired property, plant and equipment of \$16.7 million. In addition, we acquired the outstanding interest in Scientific-Atlanta Shanghai Limited joint venture from its shareholders for a cash payment of \$4.3 million.

The current ratio of Scientific-Atlanta was 6.2:1 at December 30, 2005, up from 5.4:1 at July 1, 2005. At December 30, 2005, we had debt of \$6.8 million, primarily on mortgages on facilities we assumed in connection with the acquisition of BarcoNet NV during fiscal year 2002. We believe that funds generated from operations, existing cash and short-term investment balances and our available senior credit facility will be sufficient to support operations.

RESULTS OF OPERATIONS

Sales for the quarter ended December 30, 2005 were \$495.2 million, up 12 percent or \$53.6 million over the prior year. International sales for the second quarter of fiscal year 2006 were \$145.0 million, up 25 percent over the prior year. Year-over-year, international sales were up in all regions.

Sales of subscriber products for the quarter ended December 30, 2005 increased 14 percent from the prior year's second quarter to \$372.8 million. In the second quarter of fiscal year 2006, we sold 1.2 million Explorer digital set-tops as compared to 911 thousand in the prior year. During the second quarter of fiscal year 2006, we also sold 981 thousand WebSTAR™ cable modems, up from 460 thousand in the prior year. Sales of transmission products during the second quarter of fiscal year 2006 totaled \$122.4 million, an increase of 7 percent from the prior year.

During the quarter ended December 30, 2005, we sold 556 thousand set-tops with digital video recording capability (DVRs), including 295 thousand units of our standard-definition model and 261 thousand units of our high-definition DVR model. We also sold 125 thousand high-definition set-tops without DVR capability. Together with the high-definition DVRs mentioned previously, we sold 386 thousand high-definition set-tops in the quarter, an increase of more than 27 percent compared to the same quarter last year.

Sales for the six months ended December 30, 2005 were \$985.3 million, up 10 percent from \$894.3 million in the first six months of the prior year. Sales of subscriber products were \$733.6 million, an increase of 11 percent from the prior year. We sold approximately 2.3 million digital set-tops during the six months ended December 30, 2005, an increase from 1.9